Once organizations reach a certain size, they obtain a scale that makes it impossible for management to know every customer. Without the ability to understand what customers are thinking and feeling, executives typically focus on how much their customers are spending—a number that is easy to measure—and their management team follows suit. The prevailing thought has been, "We must be doing something right—we're making money and our revenue is increasing."

While that thinking seems correct, companies can’t accurately predict the staying power of a customer from merely measuring their buying habits. It is questionable how customer attitude—which is the typical survey measurement—might influence customer behavior, i.e. use an alternate supplier/source. By the time the spending of specific customers stop, it is too late to take corrective action. In response, companies turn to powerful computers and market research in an attempt to routinely assess customer attitudes. Today, customer satisfaction surveys abound as organizations try to track retention rates. Many companies are now addicted to their survey scores and even put in financial incentives to raise those scores. However, because these practices are so prone to producing inaccurate information (relative to customer “behavior”), many managers—outside the executive level and marketing departments—turn a blind eye on the results.

Customer loyalty research provides us with some clarity. First, we need to rethink our notion of loyalty; what that term really describes. Loyalty is a concept that is filled with personal value-based attributes—usually used in terms of country, family and friends. People who are “loyal” can still harbor ill feelings and behave inappropriately—they just don’t abandon the relationship due to various factors. Likewise, customers may be loyal to a company that they buy from, but:

- They may not like the company or feel good about buying from them.
- They may still spread negative word-of-mouth about their experience.
Initially, it might seem odd that a customer would continue buying from a company they feel negatively about. Not really. Think of all the airline customers who—held hostage by frequent flier programs, route coverage, or company contracts—passionately bad-mouth the carrier at every opportunity. They are “captive customers”, an important consideration when measuring customer attitudes and behaviors. Among the list of captive customers we see:

- Those held ransom by long-term contracts
- Those who can’t afford to switch
- Those who know only one source for the product or service they need

Companies need to have an ongoing understanding of how their customers truly feel about the company—everything from its products, pricing, and quality to the general business experience. They must recognize that while some customers may be purchasing freely, others may be influenced primarily by price or severely limited by in-place contracts. Their choice to do business may have very little to do with their positive feelings about their customer experience or the company.

Thus, there is one important behavior—beyond buying behavior—that must be uncovered:

"Would you recommend the company to someone you cared about or someone whose respect you valued?"

Combine this question with the buying behavior question:

"As a result of your last experience would you make us the first choice for business again in the future?"

These two questions get at the bottom line—an assessment of customer behavior that includes spending behavior and referral behavior. No matter what the level of satisfaction, if the satisfaction doesn’t drive these two behaviors in a positive direction then the satisfaction isn’t sufficient. Ask the "behavior" questions first. Then drill down to find out what influences the behaviors.
Why most companies stay addicted to satisfaction surveys

Even though history has demonstrated that you cannot build an effective customer-feedback system on the shaky foundation of current satisfaction survey methods and practices, most companies stay the course. Rather than measure the quality of the customer relationship—specifically, their behavior—they stick to one-size-fits-all satisfaction surveys to provide them with an illusion of that relationship. This is a big mistake, as many line managers who have long since lost their confidence in satisfaction numbers know, and therefore no longer trust the data. This trust is critical because line managers are the ones we depend upon to make the changes necessary to improve customer relationships. Line managers are in the best position to put their time, resources, and priorities in efforts to significantly upgrade the quality of the customer experience. Marketing must see the metrics regarding customer relationships as a line management issue and responsibility.

So why the status quo?

The packaged, simplistic solutions are easy. The accumulation of data makes it seem there is more than enough information to get a handle on customer issues. The percentile scoring gives an illusion of understanding good versus average versus bad. Whatever the seduction—beware. Would we still have such a struggle understanding our customers if satisfaction surveys really made a difference and provided us with specific information that could be used to upgrade the customer experience?

Let's review some of the flaws in the present method of measuring customer satisfaction.

- **Surveying the wrong customers:** We have known for years who it is that fills out long satisfaction surveys and who takes the time to answer them over the phone. We need to wonder, at times, just how many customers have time to waste or are sufficiently bored to give the time-consuming answers the survey company is seeking. Adding to the problem is the survey company’s attempt to obtain a statistically accurate random sample of customers. The result is a large number of the wrong customers surveyed—usually those with an axe to grind. You don’t want a random sample—you want your best customers involved in this process. Notably, surveying the wrong customers is even more common in the business-to-business arena (decision makers vs. users).

- **No actionable feedback:** Like many of their customers, frontline employees, are adverse to long surveys. How can anyone be expected and counted upon to deal with the avalanche of responses and data points? Ironically though—if they did have time, they most likely be responding to the wrong customers! In order for employees to take effective
action in improving the customer experience, customer feedback needs to relate specific issues to specific groups of customers on a local level. In particular, customer information that will influence managerial and frontline action needs to come from customers who have enough economic value to merit investing in solutions. This important issue is taken off the table when the survey companies adhere to the sacred principle of anonymity in market research.

- **A disguised marketing initiative:** Under the auspices of improving customer experiences, many satisfaction surveys are nothing more than an attempt to gain more marketing data to help better market and advertise products and services. Even for the companies who do not do this, the damage from years of this practice turns many customers away from participating in the process—thus limiting even more the reliability and credibility of the survey information.

- **Scores don’t equal improved economics:** Research over the years has consistently found that the link between satisfaction scores and profitability and growth are not very predictable. Specific, detailed analysis of customers surveyed, for example, typically finds that between 60 and 80 percent of customer “defectors” (those who turned to another supplier) rate themselves as “satisfied” or “very satisfied” on surveys preceding their defection! This finding alone should convince even the most stubborn.

- **One-size-fits-all solutions can’t meet a company’s unique needs:** Predictably, the user of cookie-cutter surveys ends up with crummy data. What is needed for improvement is custom, localized research solutions that address a company’s unique customer relationship issues and internal business practices. Unfortunately, what is received is an “average” of customer attitudes and a one-size-fits-all insight to customers. To compensate, survey vendors develop more cumbersome and complex surveys and use them to generate sophisticated tabulations and cross-tabulations. The result remains the same. The more customer data sounds like research rather than simple, anecdotal information and feedback, the less use it will be to management and executives—to say nothing of its uselessness to those on the front line.

- **Surveys focus on transactions—not relationships:** Does the survey assess a customer’s satisfaction with a specific transaction? Or does it assess the quality of the customer relationship? After all, businesses focus on and measure transactions, but customers focus on the overall experience. Evaluating the quality of the relationship goes beyond the sum of all the individual transactions—it includes every detail of the customer’s experience combined with the emotional and branding ties the customer has. Asking questions about separate parts of the experience does not get to the heart of the customer’s overall experience with the company; customers don’t develop “transactional amnesia” after each encounter.
Dissatisfaction as a result of the survey itself: Often the golden rule is not applied by company decision makers when it comes to satisfaction surveys. Irritated at the interruptions and intrusions of surveys, frustrated with survey length, and exasperated at the simplistic or ambiguous questions put in front of them by other companies, they don’t hesitate to burden their own customers with the same processes. In hiring survey companies to be responsible for customer information, decision makers (1) don’t have to experience the dissatisfaction customers have with the process and (2) put the responsibility for customer information into the hands of people who have little—if any—interest in the welfare of the company and who care less about representing the brand in a positive manner.

In addition, satisfaction surveys raise expectations of customers—they think they are being listened to and that their issues will be dealt with accordingly. With lousy data that is rejected by both management and frontline people, no action is taken—which raises customer dissatisfaction with the company. In such situations the very act of doing the survey can backfire—a truly unintended consequence of not thinking deeply about the process.

Manipulation destroys credibility: Often, satisfaction scores lack credibility for both the manager/employees and the customer. Management will often attempt to put “teeth” into the satisfaction metrics by tying performance marks or dollars to the scores. With poor data and no instinctive insight as to how to improve the scores, gaming and manipulation understandably occur. When people are punished or rewarded for goals which they have no control over or which they have no clue about how to influence, their focus turns to the gaining of the reward or the elimination of the punishment. Their only control is to somehow manipulate the score.

The Two Questions That Count

Inflated, inaccurate customer satisfaction scores have lulled many organizations into complacency. From increased revenues or profits we make false assumptions regarding the loyalty of customers. It’s amazing how many loyal customers, held hostage by contracts or the “cost” of switching, spew forth the poisonous emissions of unhappiness.

Customer satisfaction surveys don’t tell us much about customer behavior, the only thing that matters. We can easily be seduced by the numbers. More importantly, satisfaction surveys give the illusion of customer focus, but in reality are a cop-out for the unwillingness to spend face-to-face time with customers.
Cut to the chase—ask two questions:

*Does your experience doing business with us:
  * Earn us repeat business as your first choice?
  * Result in your recommendation of us to family, friends, or business colleagues?*

Recently, our consultants at Impact Achievement Group (IAG) – a training and performance management consulting company – were called on to help one of the largest life insurance companies in North America due to a year-long downward trend in customer satisfaction. IAG consultants discovered several key factors that contributed to this decline: (1) inadequate customer service due to outdated technology, (2) high attrition in the customer service call center, and (3) a flawed customer satisfaction survey.

The technology issue was easily addressed, and the consultants then focused on the problem of attrition by administering the Harrison Assessments™ System to all call center representatives to help determine the profile for superior performers. Now the company is able to recruit and hire the call center candidates most likely to stay longer and contribute more, increasing “time to revenue” as well. Consultants also conducted the Impact Achievement Group’s Service Advantage™ Series of workshops to train the employees in customer service skills.

The life insurance company’s customer satisfaction survey was inadequate in several ways, including a flawed question structure that biased the results. Unfortunately, corporate headquarters required this survey. However, the call center director began to ask the two key questions listed above and since these changes have been implemented, the company has seen a steady upward trend in customer satisfaction.

**Choose a scale that works—and stick to it**

The insurance company had another problem with its survey: it used a five-point scale. Speak to numerous research firms, and you will hear many different arguments for the best scale to use in any type of customer survey—multiple choice, yes/no, five point, four point, seven point, whatever; each one advocated fervently. But the purity of research is not the goal of assessing customer behavior—the goal is a systemic approach to reliable information for making business improvements. Breakthroughs in this area were created at Bain & Company (the premier player regarding customer behavior measurement). Although, they started out open-minded about the best scale to use, they have found important practical advantages to using a 0 to 10 scale, where 10 means “extremely likely” and 0 means “not at all likely.” Granted, other scales seem to work. However the 0 to 10 scale has many significant advantages:...
Responders find that the scale makes intuitive sense, most likely due to their experience with grades in school. They intuitively understand that a 10 or 9 corresponds to an A or A-, an 8 or 7 represents the adequate performance of a B or C, and 6 or below is a failing grade. Even in countries such as Germany, where school grading is different, the 0 to 10 system seems to work effectively. Employees having spent many years in the classroom, can relate easily to these scores and they don’t need an in-depth understanding of statistics for interpretation.

The metric system is already used in most of the world for commerce and trade. Perhaps this is not due to the magical qualities of the meter as a unit, but due to the fact that the decimal system works well for “ten digit” humans. Most people already think in units of 10. Everybody knows what it means when an Olympic gymnast, for example, scores a “perfect 10.”

There is always some contamination of information due to people refusing to give anybody a perfect score—regardless of how impressed or delighted they are. This contamination is reduced with a 10 scale. The “9” response offers an alternative. Another advantage is a “9” then becomes an early warning when the previous score was a “10.”

Regardless of the meticulous crafting of a satisfaction survey, some employees and customers will mix up the top and bottom scores on a 1 to 10 scale. They will use “1” for the top score when a “10” is the representative score, as a result of the perception that “1” typically means “best.” This confusion rarely occurs on a 0 to 10 scale, since 0 always represents the lowest score.

While scales with less than ten points can work, they are often susceptible to grade creep, which camouflages and distorts important distinctions in relationship quality. The ability of a 0-10 scale to identify behaviors is superior to a scale with fewer points.

Finally, the 0-10 scale is gaining more acceptance and utility by many leading companies around the world. General Electric, American Express, Allianz, Intuit, and publishers of the Wall Street Journal are among the users. Satmetrix and Bain report great success utilizing the scale for numerous clients, and companies that adopt this standard will find it easier to compare themselves to the growing databases of best practices.

It is our hope that companies not using the 0-10 scale will read the Bain research and alter their survey practices accordingly.
Conclusion

Customer satisfaction is about much more than how much money your company is making. Buyers may be constrained by contracts or limited choice but would jump ship given the first opportunity. Revenue is not an adequate marker of customer satisfaction or, more importantly, of customer loyalty. And loyalty, in fact, means more than consistent purchases over time: it means a willingness to stake one’s own reputation on the quality of a company’s goods or services by referring friends and colleagues to the company.

The key to assessing customer loyalty is administration of two simple questions. This may seem too simplistic for many, used to lengthy questionnaires that ultimately assess everything except loyalty and customer behavior patterns. Some companies are fond of the status quo or fear changing to something new and untested. But as the story of the insurance company demonstrates, two principles lay the foundation for improving the customer experience. Drilling down to the roots of customer behavior uncovers the real barriers to company growth and positive branding. And the switch to a 0-10 scale for survey questions results is a more accurate measure of real customer opinion and more predictive of their future buying habits and testimonials. These two principles create surveys that produce real, useable data that will help your company build customer loyalty.

About Impact Achievement Group (IAG)

Impact Achievement Group is a training and performance management consulting company that provides assessments, coaching, story-based interactive workshops, and simulations for managers at all levels of organizations worldwide. Impact Achievement Group helps companies dramatically improve management and leadership competency for bottom-line results.

Company experts Rick Tate and Julie White, Ph.D. are internationally recognized authorities in leadership development, human performance, customer-focused business strategies and workplace communications. Books include “Leadership and the Customer Revolution”, “People Leave Managers—Not Organizations”, and the “Service Pro.” The following table provides an overview of Impact Achievement Group services. For more information, please visit www.impactachievement.com or call 888-248-5553.
Customer Loyalty: The Service Advantage™ program embeds The Human Side of Service principles into the performance practices of your organization to ensure each employee understands the concepts, tactics, and economic value in creating exceptional customer experiences. The principles are learned through story-based, engaging discovery activities, and case studies to develop competence in employee-customer interactions.

Management and Leadership: From new supervisors to seasoned executives, Impact Achievement Group meets the core business needs of raising employee performance, increasing retention, and achieving business results. We offer your managers at all levels, a comprehensive series of workshops, simulations, and tools based on best practices and fundamental leadership principles.

Assessment, Selection and Succession Planning: Impact Achievement Group offers organizations the unique opportunity to assess how well managers create an engaging work environment, effectively set expectations, hold employees accountable, and conduct effective workplace discussions. By combining the power of the "Leadership Impact Survey™ and the Harrison Assessment™, we can determine the “what” and the “why” of how well performance is being managed in your organization.

Coaching and Professional Development: With the need for talented leaders at every level of the organization increasing with the velocity of today’s business environment, it’s critical to have every leader personally equipped for peak performance. Our seasoned coaches bring years of practical experience, tools, and techniques to impact the performance of leaders throughout your organization.